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BUSINESS

ANNUAL REPORT

OF

MARSHALL FIELD & COMPANY

YEAR ENDED DECEMBER 31, 1952

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MARSHALL FIELD & COMPANY

Founded in 1852 *An Illinois Corporation* *Incorporated in 1901*

General Offices:
25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1952

ANNUAL REPORT TO SHAREHOLDERS

General Counsel
WILSON & McILVAINE
CHICAGO

Public Accountants
ARTHUR ANDERSEN & CO.
CHICAGO

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
CHICAGO

GUARANTY TRUST COMPANY OF NEW YORK
NEW YORK

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
CHICAGO

BANKERS TRUST COMPANY
NEW YORK

BOARD OF DIRECTORS

ALBERT B. DICK, JR.
MARSHALL FIELD
STANLEY FIELD
CHARLES Y. FREEMAN
HENRY P. ISHAM
HUGHSTON M. McBAIN
JAMES L. PALMER
JAMES SIMPSON, JR.
JOHN P. WILSON

GENERAL CORPORATE OFFICERS

Chairman
HUGHSTON M. McBAIN

President
JAMES L. PALMER

Comptroller
JOHN D. ANDERSEN

Secretary
RALPH E. BOWERS

Treasurer
GERALD A. SIVAGE

Assistant to the President
EARL KRIBBEN

Assistant Comptroller
GEORGE G. RINDER

Assistant Secretary
ARTHUR JACKSON

Assistant Treasurer
CHARLES M. RHODES

OFFICERS IN THE COMPANY'S DIVISIONS

Vice Presidents
HAROLD J. NUTTING
WILLIAM S. STREET
LAWRENCE B. SIZER
MILTON C. MUMFORD
JEAN L. SCHUREMAN

Divisional Vice Presidents
GARRET L. BERGEN
DAVID W. DAVIDSON
PAUL M. HAMMAKER
EGIL E. KROGH
JOHN McKINLAY, JR.
HAROLD W. WHITCOMB

TO THE SHAREHOLDERS

The Board of Directors submits this annual report for the year ended December 31, 1952.

Your Company's net income after Federal income taxes and after inventory reserve adjustments was $5,617,000 in 1952 compared with $4,975,000 in 1951. Income before inventory reserve adjustments was $4,617,000 in 1952 and $5,475,000 in 1951.

Since 1946 the Company has followed a policy of increasing or decreasing its inventory reserve annually by an amount approximating the effect of price increases or decreases between year-ends upon its inventory valuations. These adjustments in 1952 decreased the reserve $1,000,000, increased net income correspondingly, and left a balance in the reserve of $5,500,000. About two-thirds of the adjustments resulted from inventory price declines in our Fieldcrest Mills. The 1951 adjustments increased the reserve $500,000 and decreased net income by the same amount.

Net sales in our retail stores in 1952 were only slightly above the 1951 level. Income in this division before interest, taxes and reserve adjustments was $10,410,000 compared with $11,691,000 in 1951.

Net sales in Fieldcrest Mills in 1952 were 3% lower than in 1951. Income in this division before interest, taxes and reserve adjustments was $58,000 compared with a loss of $487,000 in 1951.

Operating results for the Company are summarized in the following table:

	1952	1951
NET SALES	$225,567,000	$225,589,000
Wages, salaries and employe benefit costs	61,509,000	60,218,000
Cost of merchandise and miscellaneous expenses	153,590,000	154,167,000
Interest	850,000	351,000
Federal income taxes	5,002,000	5,378,000
Increase or (decrease) in reserve for inventory price decline	(1,000,000)	500,000
NET INCOME	5,617,000	4,975,000
NET INCOME PER COMMON SHARE		
After inventory reserve adjustments	$2.56	$2.23
Before inventory reserve adjustments	2.05	2.49

Our net income in the two years was distributed as follows:

	1952	1951
Dividends paid to shareholders	$4,525,000	$4,525,000
Reinvested in the business	1,092,000	450,000

An unusually large proportion of the Company's 1952 earnings was realized during the last half of the year. The depressed condition of the textile industry, which had adversely affected Fieldcrest Mills since the summer of 1951, continued until the late summer of 1952. Operating earnings of the mills rose to moderate levels in the second half but these earnings were largely offset by a write-down of cotton inventory to market price, necessitated by the low price of cotton at the year-end. Earnings of the mills in 1952 were also reduced $300,000 by non-recurring operating and liquidating losses on our Lace Curtain Mill at Zion, Illinois. This property was sold in late 1952. Our Frederick & Nelson store in Seattle also experienced poor earnings in the first half of 1952. It was severely handicapped during this period by the inevitable disorder and expense caused by remodeling and by the relocation of departments. On August 4 we officially opened the enlarged store. Since then earnings have been at more satisfactory levels.

The Company's capital expenditures for expansion and for improvement of buildings and equipment totaled $4,700,000 in 1952 as against $11,300,000 in the preceding year. Of the former amount, $2,200,000 was expended to complete the Frederick & Nelson project in Seattle. The total 1952 capital outlay on our Chicago area operations was $1,900,000. Included were numerous improvements in our stores, and the acquisition of a warehouse property and our Fieldale Farm.

The Farm is in reality a selling unit for the Chicago retail store, though it is located thirty miles to the northwest. It is designed to provide facilities for practice, instruction, and sport for customers interested in shotgun shooting of every type. One of its chief functions is to let customers select and fire guns under simulated hunting conditions. The Farm is equipped with a complete gun shop and with a store selling hunting apparel and accessories. In the few months of its operation the volume of business at Fieldale Farm has been gratifying. Because of its unique facilities the Farm has received considerable national publicity and has attracted customers from every state in the Union.

In 1952 we expended approximately $600,000 on the improvement of our Fieldcrest Mills properties. The largest single expenditure was for an expansion of the premises occupied by our Towel Mill. The balance of approximately $500,000 was spent on equipment modernization in various mills.

We believe that all of our retail and mill properties are now in excellent physical condition. We anticipate no abnormal outlays of capital to maintain or to expand these properties for quite some years.

In early 1952 the Company arranged to obtain $30,000,000 from an institutional investor on its 30-year 3¾% notes. Of this amount $26,000,000 had been borrowed by the year-end, $22,000,000 of which was used to retire outstanding term bank loans. The balance of $4,000,000 will be borrowed by August, 1953. The cash requirements of the business for ordinary operating purposes, which have been growing steadily during the past decade, seem not to be increasing at the moment.

Our total merchandise on hand and on order on December 31, 1952 was $45,800,000, or 6% higher than at the end of 1951. An increase of 20% in Fieldcrest Mills was partially offset by a decrease of 2% in our retail stores.

Payments toward the 1952 cost of our employe Retirement Program were $2,700,000. The value of assets in our Pension Trust now approximates $26,600,000.

We have previously announced our intention to construct a shopping center to be known as Old Orchard at Skokie, Illinois, sixteen miles northwest of Chicago. While we had hoped to be able to break ground on this project in late 1952, we have devoted more time than originally contemplated to careful planning of this complex undertaking. In the absence of unforeseen developments, and assuming conditions beyond our control are propitious, we shall be able to start the project in the summer of 1953.

In 1952 Marshall Field & Company celebrated its 100th anniversary. Our Centennial was a memorable affair chiefly because of the spontaneous tribute we received from thousands of our friends who feel a genuine affection for our business. The warm, friendly attitude of the public toward us was demonstrated in many ways.

Three books about your Company were brought out by major publishers, and each enjoyed widespread readership and popularity. "Give the Lady What She Wants," written by Lloyd Wendt and Herman Kogan, and "Through Charley's Door," by Emily Kimbrough, each occupied a place on Chicago newspaper best seller lists for about six months. The third book, "We're Going to Town," by Dorothy Aldis, is a popular children's book.

Articles about the traditions, history, policies and reputation of the Company appeared in twenty-five magazines of national circulation and in thousands of smaller publications.

There were many special events in the Chicago store, as well as striking window and other displays of an historical character. A series of institutional newspaper advertisements appeared throughout the year, and a thirteen-week television show paid tribute to the community and depicted its history as well as that of Marshall Field & Company.

The amount of publicity and good will generated during the year exceeded the expectations even of those closest to the Centennial plans. The celebration was most heartening as an evidence of the high regard in which your Company is held by the community.

At the January, 1953 meeting of the Board of Directors the By-Laws of the Company were amended to increase the number of directors from nine to twelve. At this same meeting Mr. Marshall Field announced his intention of not standing for re-election as a director. A grandson of the founder, Mr. Field's devotion to the Company's welfare has contributed greatly to its advancement through the thirty-eight years of his directorial service. His decision to terminate that service is received with regret.

At the annual meeting of shareholders on March 25, 1953, Mr. John M. Budd, President of the Great Northern Railway, Mr. Marshall Field, Jr., Editor and Publisher of the Chicago Sun-Times, Mr. William V. Kahler, President of the Illinois Bell Telephone Company, and Mr. Harold J. Nutting, Vice President, and General Manager of our Chicago stores, will be the new nominees for election as directors of the Company.

Early in 1952 Mr. Lawrence B. Sizer, Director of the Company's Public Relations Division, was elected Vice President.

In January, 1953 Mr. Austin T. Graves, Vice President and General Operating Manager of the Chicago stores, resigned. Mr. Paul Hammaker, Divisional Vice President and formerly Assistant General Merchandise Manager, was appointed General Operating Manager of these stores.

As we end the first month of 1953 we believe that several factors justify a feeling of optimism with respect to the immediate future of your Company. During the past two years Fieldcrest Mills Division has been our principal problem from an earnings standpoint. The outlook for this division of our business is reasonably favorable at this point. The mills should have a fairly good year unless factors not now in view make their appearance.

Our modernized and enlarged Frederick & Nelson store, after six months of operation, has surpassed our expectations in all respects. It has shown consistently large sales gains. Its public acceptance as the leading store of the Pacific Northwest and as a Seattle institution has been exceptionally gratifying. We believe it to be one of the finest department stores in the world and are confident it will dominate the rapidly growing Seattle area for many years to come.

Our Chicago stores are in excellent position to continue one of the best and most consistent earnings records to be found in the department store industry.

We are more proud than ever of our management staff and employes in all divisions of the Company. Such success as we have enjoyed has been due for the most part to the fine character and the varied skills of these men and women.

Our confidence in the future is enhanced by developments on the political scene. We believe our country needed a change in administration. We have had too much waste, too much corruption, too much cynicism and too many unsound ideas in the administration of our public affairs. Under the new administration we hope we may look forward to a sounder management of money and credit, less waste and corruption, a less burdensome and more equitable tax load, and the elimination of needless controls. We also hope that we will return toward the idea that free and responsible individuals of integrity, given an opportunity to use their enterprise, intelligence and resourcefulness, can build a richer, more wholesome society than can any collectivistic system dominated by the state.

In the complex society which we live in today no man can foretell the future with any certainty. The fortunes of all people are directly affected by wholly unpredictable events transpiring across the world. We nonetheless feel that such facts as lie within our view and can be appraised justify our regarding the future of your Company hopefully and with confidence.

By Order of the Board of Directors,

Chairman

President

February 18, 1953

THE STORY in BRIEF

	1952	1951	1950
Net Sales	$225,600,000	$225,600,000	$222,900,000
Income before Taxes and Inventory Reserve Adjustments	9,600,000	10,900,000	17,200,000
Income before Inventory Reserve Adjustments	4,600,000	5,500,000	9,900,000
Net Income	5,600,000	5,000,000	7,600,000
Dividends Paid	4,500,000	4,500,000	4,500,000
Dividends Paid per Common Share	2.00	2.00	2.00
Current Net Income Retained in the Business	1,100,000	400,000	3,000,000
Cash	11,300,000	9,000,000	7,200,000
Merchandise Inventories	32,200,000	32,600,000	32,200,000
Merchandise on Order	13,600,000	10,600,000	17,700,000
Accounts Receivable	32,200,000	31,800,000	29,800,000
Current Assets	78,100,000	75,800,000	71,100,000
Net Working Capital	51,300,000	47,400,000	40,700,000
Fixed Assets	59,800,000	58,700,000	47,500,000
Expenditures for Plant and Equipment	4,700,000	11,300,000	8,500,000
Depreciation	3,100,000	2,700,000	2,800,000
Current Liabilities	26,900,000	28,400,000	30,400,000
Long-Term Debt	26,000,000	22,000,000	6,000,000
Amount Paid in for Capital Stock	41,000,000	41,000,000	41,000,000
Net Income Retained for Use in the Business	44,100,000	40,500,000	38,500,000
Number of Shareholders	14,997	14,397	14,896

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of December 31, 1952, and the related statements of income, net income retained for use in the business and reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended December 31, 1951.

In our opinion, the accompanying balance sheet and statements of income, net income retained for use in the business and reserves present fairly the financial position of Marshall Field & Company as of December 31, 1952, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 5, 1953

To the Shareholders of
Marshall Field & Company:

The financial statements contained in this report are correct, to my best knowledge and belief.

February 18, 1953

John D Andersen
Comptroller

INCOME STATEMENT

For the Years Ended December 31, 1952 and 1951

	1952	1951
NET SALES	$225,566,780	$225,589,239
DEDUCT:		
Materials and services purchased from others	$147,920,945	$149,252,440
Wages, salaries and employe benefit costs	61,508,806	60,218,076
Provision for depreciation and amortization	3,114,240	2,652,042
Taxes, other than social security and Federal income taxes	2,554,450	2,262,319
Interest	849,535	351,396
Federal income taxes	5,002,000	5,378,000
Increase or (decrease) in reserve for possible future decline in market value of inventories	(1,000,000)	500,000
	$219,949,976	$220,614,273
NET INCOME FOR THE YEAR	$ 5,616,804	$ 4,974,966

BALANCE SHEETS—DECE

ASSETS

	1952	1951
CURRENT ASSETS:		
Cash	$ 11,289,409	$ 9,042,427
Receivables from customers and others, less reserves	32,188,084	31,794,718
Merchandise inventories, priced at the lower of cost or market, less reserve for possible future decline in market value of inventories ($5,500,000 in 1952; $6,500,000 in 1951)	32,225,677	32,584,408
Prepaid insurance, supply inventories, etc.	2,434,516	2,366,720
TOTAL CURRENT ASSETS	$ 78,137,686	$ 75,788,273
FIXED ASSETS:		
Land, leaseholds, buildings and equipment, at cost	$ 88,380,889	$ 85,031,574
Less—Reserves for depreciation and amortization	28,534,870	26,348,776
NET FIXED ASSETS	$ 59,846,019	$ 58,682,798
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$137,983,706	$134,471,072

MBER 31, 1952 AND 1951

LIABILITIES

	1952	1951
CURRENT LIABILITIES:		
Accounts payable	$ 10,594,113	$ 10,024,055
Accrued Federal income taxes	6,691,170	7,968,055
Other accrued liabilities	9,599,367	10,358,884
TOTAL CURRENT LIABILITIES	$ 26,884,650	$ 28,350,994
3¾% NOTES, maturing from 1972 to 1982	$ 26,000,000	$ —
TERM BANK LOAN	$ —	$ 22,000,000
RESERVE FOR NET PAST SERVICE COST OF PENSION PLAN	$ —	$ 2,636,802
CAPITAL STOCK:		
Cumulative Preferred Shares— Authorized 300,000 shares of $100 par value, issuable in series—4¼% Series; redeemable at premiums per share of $6.50 through March 31, 1955, and $4.00 thereafter; issued and outstanding 150,000 shares	$ 15,000,000	$ 15,000,000
Common Shares— Authorized 4,000,000 shares of no par value, of which 180,000 shares may be sold to officers or employes without first offering such shares to the shareholders; options have been granted for 53,150 shares at $29 per share; issued and outstanding 1,943,763 shares at stated value	16,818,815	16,818,815
AMOUNT PAID IN FOR SHARES IN EXCESS OF PAR OR STATED VALUE	9,207,179	9,207,179
NET INCOME RETAINED FOR USE IN THE BUSINESS ($28,000,000 not available for dividends on Common Shares as long as 3¾% Notes are outstanding)	44,073,062	40,457,282
	$ 85,099,056	$ 81,483,276
	$137,983,706	$134,471,072

NET INCOME RETAINED FOR USE IN THE BUSINESS

Balance at December 31, 1951		$40,457,282
Net income for the year		5,616,804
Transfer from reserve for net past service cost of pension plan		2,524,002
		$48,598,088
Cash dividends declared on—		
Cumulative Preferred Shares, 4¼% Series	$ 637,500	
Common Shares ($2.00 per share)	3,887,526	4,525,026
Balance at December 31, 1952		$44,073,062

RESERVE FOR POSSIBLE FUTURE DECLINE IN MARKET VALUE OF INVENTORIES

Balance at December 31, 1951	$ 6,500,000
Decrease in reserve included in 1952 income	1,000,000
Balance at December 31, 1952	$ 5,500,000

RESERVE FOR NET PAST SERVICE COST OF PENSION PLAN

Balance at December 31, 1951	$ 2,636,802
Amount of past service cost paid or accrued in 1952 ($235,000), less reduction in Federal income tax ($122,200) resulting therefrom	112,800
Transfer to net income retained for use in the business	2,524,002
Balance at December 31, 1952	$ —

THE FREDERICK & NELSON STORE
SEATTLE, WASHINGTON
ENLARGED AND REMODELED 1952